# Fixed Assets

**Core business**

Fixed Assets are long-term tangible pieces of property that FC Platinum owns and uses in the production of its income and is not expected to be consumed or converted into cash any sooner than at least one year's time. Its core business is to provide guidance on the recording of assets in the Fixed Assets Register. This procedure further provides guidance on the maintenance of the Assets Register and to ensure the accuracy, validity, existence, completeness, rights and obligations of the assets information as contained in the Assets Register.

The fixed assets groups are as follows:

* Furniture and Fittings
* Motor Vehicles
* Computer equipment
* Plant & equipment
* Land and Buildings
* Gym Equipment

The fixed asset module provides sub-ledger detail that supports a controlling account in the General Ledger.

In addition to supporting the General Ledger, the fixed asset module has other functionality including the following:

* Provides detailed documentation for the company’s assets. (Asset Register)
* Allows for the acquisition
* Facilitates tracking of depreciation.
* Calculates write-ups or write-downs.
* Asset transfers
* Allow for disposals of assets.
* Enables the accounting of assets for tax preparation

Accounting for Fixed Assets

All fixed assets are treated as balance sheet transactions in the year they are acquired. This means the asset is posted as an asset to a balance sheet account. This is because fixed assets represent permanent value and not just expenditures in the year of acquisition.

For all assets, the value of the asset in the balance sheet (net book value) must be reviewed at least one time per year at year end. In connection with this value review, an adjustment of the value of the asset in the balance sheet may be necessary. The write-up and write-downs are usually caused by some extra ordinary occurrences in the market that affect the price, for example, the currency pronouncements of 2019 in Zimbabwe.

When an asset no longer has use to the company, because it is either being sold or scrapped, the asset must be removed from the accounting books. Therefore, the original acquisition price and accumulated depreciation of the asset are reversed, and any surplus or loss from the disposal is posted to the profit and loss statement.

## Prerequisites

* **Fixed Asset Group**

This is a section in which an asset belongs to

* **Type of Fixed Asset**

Classification of Assets

* **Fixed Asset Location**

Where fixed assets reside in

* **Fixed Asset Major Type**

## Asset Acquisition

**Pre-Condition**

Asset has been received awaits capitalization.

### Process Description

The Accounting Officer I obtains the details of the fixed assets received from the Accounting Assistant -Inventory i.e. the GRVs, orders and invoice and match such information with the approved Capex Form details. He and the user check the condition of the fixed assets and note the unique serial numbers where applicable. Fixed Asset Registration Details below

|  |  |  |
| --- | --- | --- |
| **Column Name** | **Datatype** | **Length** |
| Asset Name | Varchar | 20 |
| Fixed Asset Group | Varchar | 20 |
| Fixed Asset Type | Varchar | 20 |
| Property type | Varchar | 20 |
| Asset ID | Varchar | 20 |

The Accounting Officer Finance assigns unique asset codes to the fixed assets received as per asset category.

* Furniture and Fittings
* Motor Vehicles
* Computer equipment
* Plant & equipment
* Land and Buildings
* Gym Equipment

The Accounting Officer Finance dispatches the assets to the users in liaison with the Finance & Admin Superintendent. He files the asset acquisition documents in a separate file which is created to house assets documentation and records in the fixed assets master file. The Accounting Officer Finance submit the Assets Register to the Finance & Admin Superintendent for checking and approval and ensure proper data quality control of the assets register details. Back up fixed assets register information and ensure proper master file control by instituting the relevant internal controls.



### Actors

* User
* Accounting Officer Finance
* Finance and Admin Superintendent

### Workflow

* Accounting Officer Finance request for approval
* Finance and Admin Superintendent approves the purchasing of the fixed asset.

### Audit Trail

## Fixed Asset Depreciation

Depreciation is calculated by identifying the total cost of an asset, taking from this any residual value the asset may have at the end of its useful life; and then allocating the remaining amount over the useful life of the asset, reflecting the pattern in which the assets future economic benefits are expected to be consumed.

The following groups will be depreciated on a straight-line basis:

* Furniture and Fittings (Heavy) – 4 years
* Furniture and Fittings (Light) -2 Years
* Motor Vehicles (Heavy) – 10 years
* Motor Vehicles (Light) -5 years
* IT equipment – 3 years
* Plant & Machinery (Heavy) – 8 years
* Plant & Machinery (Light) -4 years
* Land & Building (Typically 30 years) allocated on assessment.

Depreciation starts from date of capitalization till date of disposal (Depreciation run on day basis)

The depreciation rates are in line with the overall group policy. Any changes/amendments will be approved at the level of the General Manger.

## Pre-Condition

Assets that are “Open” should exist in the asset register and marked for depreciation

### Process Description

The accountant will run a depreciation proposal where all assets that are “Open” and marked for depreciation will be pulled through on the journal. The depreciation proposal is used to suggest depreciation amounts.

The remaining service life of the asset will be adjusted automatically when the depreciation journal is posted. For example, if an asset has 24 moths service life, when monthly journal is posted for this asset, the remaining service life on this asset will be reduced by 1 month to 23 months. This will happen every time a depreciation journal is posted for the asset. The monthly depreciation will debit the depreciation expense and credit accumulated depreciation ledger accounts.

If the calculated depreciation amount is incorrect and the journal has already been posted, a depreciation adjustment journal is created to adjust the depreciation.



### Actors

* Accounting Officer Finance
* Finance and Admin Superintendent

### Workflow

None Required.

### Audit Trail

User and date when depreciation and depreciation adjustments were posted.

## Fixed Asset Disposal

The purpose of this procedure is to provide guidance on the disposal of assets and ensure that the asset disposal is done in line with the company policies and that the applicable statutory requirements are adhered to and corresponding taxes paid

Disposal scrap is used when assets are no longer used. The net book value is set to zero and the asset is closed for further transactions. Disposal scrap is considered an internal transaction

Disposal Sale -

### Pre-Condition

The asset should exist in the asset register and the status should be “Open” and not usable in the future

### Process Description

All fixed assets disposals should be authorized by the General Manager and the Finance & Admin Superintendent. Payment for assets disposed of shall be on an RTGS transfers or cash basis unless there is prior approval by the Finance & Admin Superintendent and General Manager of an alternative payment arrangement.

Accounting Officer Finance receives official notification to dispose of assets from respective

* User Reports
* Asset Verification.

He completes the Assets disposal Form and obtain approval in accordance with the approval framework

* Furniture and Fittings
* Computer equipment
* Plant & equipment
* Gym Equipment

should be approved by the Finance & Admin Superintendent

The proposals for disposals of

* Motor Vehicles
* Land & Buildings

should be approved by the General Manager.

Determine the disposal value of assets and obtain appropriate approval per approval framework and for items disposed of through tender, obtain the value from the tender committee.

Obtain receipt for assets disposed of on cash basis from the Accounting Officer Finance. Prepare the assets disposal journal for approval by the Finance & Admin Superintendent. The Accounting Officer Finance ensure the posting of all the approved asset disposal journals in the Assets module and update the Assets Register and file all the assets disposals documentation for future reference ensuring proper documents control

### Actors

* Accounting Officer Finance
* General Manager
* Finance and Admin Superintendent

### Workflow

Finance and Admin Superintendent approves the purchasing of the fixed asset.

### Audit Trail

Fixed Asset Transfer.

Pre-condition.

the asset should exist in the asset register and the status should be “Open”.

Process Description

Actors

Workflow & Notification

Audit Trail